



Danish Crown

HALF-YEAR REPORT 2022/23

Leverandørselskabet Danish Crown AmbA

CVR no. 21 64 39 39

MANAGEMENT'S REVIEW

Danish Crown is one of the world's leading food companies who works determinedly towards sustainability in both production and sale of food.

It has been a challenging first half-year for Danish Crown. The production of pigs in Europe currently decreases significantly, as increased production prices has lead to pressure on the economics of pig producers. This effects the supply of pigs in Denmark which has decreased by 13% in the first half-year compared to last year.

The average settlement for the first half-year 2022/23 to our cooperative owners for pigs has increased by 43% compared to first half-year 2021/22.

The processing activities on our main market are under pressure because of the inflation. The high prices make consumers hold back when standing at the refrigerated counter, and it primarily affects processing products and leads to a decrease in sales of important categories such as bacon, cold cuts and canned products.

Danish Crown Beef continues the good development with increased earnings at the abattoirs in Germany and in the hide company Scan-Hide. The cattle settlements have decreased a bit compared to last year's record level but have stabilised at a relatively high level.

Furthermore, at the same time, the good sales conditions continue for DAT-Schaub which processes by-products from pigs into food ingredients and raw materials for the pharmaceutical industry. But decreased raw materials from the falling pig production in Europe.

KLS in Sweden and ESS-FOOD deliver satisfactory results but Sokołów in Poland is challenged by the high Polish inflation and competition from imported meat, whereby earnings do not quite live up to the expectations.

With a decreased raw material base, we are in a transition phase, where a large part of our core business must be reconsidered. In the first half-year, we have closed our deboning facility in Boizenburg, Germany and reduced the number of slaughtering in our German facility by approximately 10%. At the same time have we looked at our sales and administration costs and approximately resigned 150 positions.

After the end of the first half-year, we have decided to close the abattoir in Sæby, Denmark. The financial effects from the closure have therefore not been recognized in the half-year financial statement. Impairment on assets are expected to be around DKK 200 million.

The company's target and work in relation to sustainability and the green transition proceed as planned. In November 2022 we got our climate reduction target approved under the Science Based Targets initiative (SBTi), and now we continue our work to deliver on these targets.

PROFIT FOR THE FIRST HALF-YEAR 2022/23

Compared to last year, revenue has increased by 15% driven by rising sales prices, while volumes have decreased by 4%.

In the first half-year, we have experienced considerable externally driven increases on more of our large cost items; both energy- and transport costs have increased significantly. This is reflected in a decreasing gross margin. The decreasing volume has maintained distribution costs unchanged.

Administration cost is impacted negatively by the extra costs during the structural changes, that have been implemented in the first half-year. The savings programs that have been carried out in the central administration have compensated for the inflationary impact.

The associated companies have also had a challenging first half-year, partly driven by the same market challenges as applicable in Danish Crown – which cover decreasing pig production and significant inflation.

In the first half-year, the group's net financing costs have increased compared to last year which, in addition to general increasing interest rate levels, can be attributed to increased capital tied up in net working capital which is ascribable to the increasing prices on the company's products as well as the purchase of the minority shareholder's share of DAT-Schaubs American business in August 2022.

Net profit for the first half-year of 2022/23 amounts to DKK 902 million against DKK 1,107 million last year. The management considers the result acceptable in the light of the market challenges.

For the second half-year of 2022/23, earnings are expected to be on par with earnings from the second half-year 2021/22. Ordinary earnings are expected to be improved as a result of all the structure measures, while the closure of the Sæby abattoir in Denmark is associated with a cost.

BALANCE SHEET

The balance sheet total is decreased by DKK 0.3 billion since the end of the last financial year but increased by DKK 1.6 billion since the end of the first half-year of 2021/22.

The increase compared to last financial year can primarily be assigned to our large investment in a new processing plant in the UK, which is expected to be in use at the beginning of financial year 2023/24, but also related to increased binding in working capital as a result of increased prices on the company's products.

By the end of March 2023, the solvency ratio has decreased by 3 percentage points to 25% compared to the end of March 2022. By the end of the half-year, the group's debt leverage is 3.2 x EBITDA compared to 2.9 at the same time last year. The increase for both ratios is driven by the increased balance sheet.

STATEMENT BY THE EXECUTIVE BOARD

Today, the Executive Board has considered and adopted the half-year report for Leverandørselskabet Danish Crown AmbA for the financial period 1 October 2022 - 31 March 2023.

The half-year report has not been audited or reviewed by the company's auditors elected by the Board of Representatives.

In our opinion, the half-year report gives a true and fair view of the group's and company's assets, liabilities and financial position at 31 March 2023 and of the results of the group's and company's activities and the group's cash flows for the period 1 October 2022 - 31 March 2023.

We believe that the management's review contains a fair review of the development in the group's and the company's activities and financial affairs, the half-year result, the company's financial position and the financial position as a whole of the enterprises included in the consolidated financial statements.

Randers, 23 May 2023

Executive Board:

Jais Valeur
Group CEO

Thomas Ahle
Group CFO

Tim Ørting Jørgensen
Group EVP

Consolidated summarised income statement 1 October - 31 March

DKKm	2022/23	2021/22
Revenue	34,521	29,972
Production costs	-29,718	-25,132
Gross profit	4,803	4,840
Distribution costs	-2,668	-2,618
Administration costs	-918	-890
Other operating income	25	16
Other operating expenses	-10	-3
Income from equity investments in associates and joint ventures	23	51
Operating profit before special items (EBIT)	1,255	1,396
Special items	-47	0
Operating profit after special items (EBIT after special items)	1,208	1,396
Financial income	115	57
Financial expenses	-331	-137
Profit before tax	992	1,316
Tax on profit for the period	-90	-209
Net profit for the period	902	1,107

Consolidated summarised income statement 1 October - 31 March

DKKm	2022/23	2021/22
Net profit for the period	902	1,107
Items which may subsequently be transferred to the income statement	32	61
Items which cannot be transferred to the income statement	0	0
Other comprehensive income	32	61
Comprehensive income for the period	934	1,168

Consolidated summarised balance sheet

Balance - assets

DKKm	31.03.2023	30.09.2022	31.03.2022
Goodwill	3,050	3,068	3,067
Software	74	79	107
Acquired patents, trademarks and similar rights	521	550	600
Intangible assets	3,645	3,697	3,774
Land and buildings	4,017	4,094	4,321
Plant and machinery	3,091	3,244	3,278
Other fixtures, fittings, tools and equipment	260	245	238
Property, plant and equipment in progress and prepayments	1,782	1,358	936
Lease assets	797	778	541
Property, plant and equipment	9,947	9,719	9,314
Equity investments in associates and joint ventures	430	402	394
Other securities and equity investments	11	12	9
Financial assets	441	414	403
Deferred tax assets	124	121	138
Non-current assets	14,157	13,951	13,629
Inventories	6,219	5,874	5,512
Biological assets	38	30	32
Inventories	6,257	5,904	5,544
Trade receivables	6,967	7,626	6,667
Receivables from- and prepayments to cooperative owners	116	309	148
Receivables from associates	20	21	22
Other receivables	1,092	1,059	922
Prepayments	199	134	161
Receivables	8,394	9,149	7,920
Other securities and equity investments	33	33	38
Cash	210	319	309
Current assets	14,894	15,405	13,811
Total assets	29,051	29,356	27,440

Consolidated summarised balance sheet

Balance - liabilities

DKKm	31.03.2023	30.09.2022	31.03.2022
Cooperative owner's accounts	926	1,108	1,126
Owner's accounts	872	895	681
Other reserves and retained earnings	5,421	6,170	5,850
Equity (including minority interests)	7,219	8,173	7,657
Pension obligations	39	22	51
Deferred tax liabilities	440	520	313
Other provisions	201	145	171
Mortgage debt	2,313	2,322	2,649
Other debt, issued bonds	2,105	2,158	3,531
Credit institutions	2,468	4,274	3,546
Other credit institutions	445	623	800
Lease debt	630	546	403
Non-current liabilities	8,641	10,610	11,464
Other provisions	124	143	95
Mortgage debt	122	182	164
Other debt, issued bonds	1,410	1,415	570
Credit institutions	2,158	357	450
Other credit institutions	2,353	1,207	72
Lease debt	129	184	108
Trade payables	4,247	4,445	4,019
Payables to associates	52	85	58
Income tax payable	45	146	243
Other payables	2,515	2,353	2,479
Deferred income	36	56	61
Current liabilities	13,191	10,573	8,319
Liabilities	21,832	21,183	19,783
Total equity and liabilities	29,051	29,356	27,440

Consolidated summarised statement of changes in equity

DKKm	Cooperative owner's accounts	Owner's accounts	Reserve for foreign currency translation adjustments	Reserve for value adjustments of hedging instruments	Retained earnings	Total	Attributable to minority interests	Total equity
Equity 30.09.2021	1,296	692	-360	103	6,326	8,057	306	8,363
Net profit for the period	0	0	0	0	1,058	1,058	49	1,107
Total other comprehensive income after tax	0	0	62	8	-22	48	13	61
Payment of contributed capital, net	-170	-11	0	0	0	-181	0	-181
Supplementary payments disbursed	0	0	0	0	-1,671	-1,671	0	-1,671
Dividend to minority interests	0	0	0	0	0	0	-22	-22
Equity 31.03.2022	1,126	681	-298	111	5,691	7,311	346	7,657
Net profit for the period	0	214	0	0	816	1,030	43	1,073
Total other comprehensive income after tax	0	0	-57	-18	67	-8	15	7
Payment of contributed capital, net	-18	0	0	0	2	-16	-21	-37
Acquisition of minority interests	0	0	0	0	-222	-222	-305	-527
Equity 30.09.2022	1,108	895	-355	93	6,354	8,095	78	8,173
Net profit for the period	0	0	0	0	894	894	8	902
Total other comprehensive income after tax	0	0	-63	17	77	31	1	32
Payment of contributed capital, net	-182	-23	0	0	0	-205	0	-205
Supplementary payments disbursed	0	0	0	0	-1,665	-1,665	0	-1,665
Dividend to minority interests	0	0	0	0	0	0	-18	-18
Equity 31.03.2023	926	872	-418	110	5,660	7,150	69	7,219

Consolidated summarised cash flow statement 1 October - 31 March

DKKm	2022/23	2021/22
Operating profit before special items (EBIT)	1,255	1,396
Other adjustments	402	412
Change in net working capital	-40	-596
Cash flows from operating activities	1,617	1,212
Cash flows from investing activities	-850	-853
Cash flows from financing activities	-876	-254
Change in cash and cash equivalents	-109	105
Cash and cash equivalents as at 01.10	319	204
Cash and cash equivalents as at 31.03	210	309

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The half-year report for 2022/23 includes a summarised consolidated financial statement for Leverandørselskabet Danish Crown AmbA and its subsidiaries.

The half-year report for first half-year 2022/23 is presented according to the same accounting principles and with the same significant accounting estimates as in the annual report 2021/22 for Leverandørselskabet Danish Crown AmbA.

In connection with a thorough review and alignment of the group's costs broken down by functions reclassification of the comparative figures between production, distribution and administrations costs in the income statement have been made, in order for the costs to be more accurately reflected in the group's functions and in a more consistent way. The reclassification has not affected EBIT.

The consolidated financial statement of Leverandørselskabet Danish Crown AmbA is presented in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for the financial statements of class C enterprises, cf. the Danish Executive Order on IFRS issued in accordance with the Danish Financial Statements Act.

Moreover, reference is made to the description of accounting policies and significant accounting estimates in note 30 and 1, respectively, in the Annual Report 2021/22.

Leverandørselskabet Danish Crown AmbA is a limited liability cooperative domiciled in Denmark.

The consolidated financial statements are presented in Danish kroner (DKK) rounded to nearest DKK million, which is the presentation currency for the group's activities.

NOTE 2 SEASONAL FLUCTUATIONS

Due to seasonal fluctuations, the group's inventory values are historically higher at the end of the first half-year than at the end of the second half-year as inventories are built up for sales in the peak season.